



For Immediate Release ASX Announcement

BuildingIQ market update - amendment to utility agreement and impairment of accrued revenue

Sydney – 22 August 2016 – [BuildingIQ, Inc. \(ASX: BIQ\)](#), a leading energy management software and services company, today announced it is finalising a contract amendment with a major US utility to continue to provide Predictive Energy Optimization (“PEO”) and Demand Response services to a portfolio of commercial buildings with a total size of 2.5M square feet.

The contract being finalised extends the services provided under the memorandum of understanding (MOU) with that utility that was entered into in 2012. The scope of work will be expanded to include Energy WorkSite¹ and the provision of managed services such as retro-commissioning.

Concurrent with this announcement, BuildingIQ indicated that the first half result will include an impairment of approximately AUD / A\$720,000 because a portion of the revenue accrued under the MOU is no longer considered recoverable.

PEO was one of a series of five technologies (from five different companies including BuildingIQ) trialled by that utility for commercial and industrial building owners for a four year period. The results delivered by BuildingIQ were in line with expectations, which has resulted in the continued provision of services under an amended contract. However, across those five technologies the utility program did not achieve the savings target and as a result public regulatory authority funding was not made available when the program results for the five technologies were reviewed.

BuildingIQ had recognised the revenue in accordance with the terms of the original MOU. The impact of the overall utility program performance and related funding decision is that a portion of accrued income is no longer considered recoverable. Accordingly, an impairment of approximately A\$720,000 has been booked at 30 June 2016.

Rather than pursue recovery, BuildingIQ considered it to be in its best commercial interests to enter new contractual arrangements with that utility for future services and accept a cash payment of approximately A\$220,000 which is expected to be received in September 2016.

¹Energy Worksite is a BuildingIQ analytics tool powered by an advanced algorithm that monitors the energy consumption of a building on an hourly basis.



The new contract is likely to have a term of three years and is expected to generate revenue of approximately A\$300,000 over the twelve months to 30 June 2017. However, this is lower than previously anticipated so revenue in the second half of 2016 will be reduced by approximately A\$150,000 subject to the performance element of the contract. Importantly, under the new contract there are opportunities to increase future revenues as more buildings are added and trials of Energy WorkSite¹ and managed services convert to additional revenue streams.

Given the impairment, BuildingIQ achieved A\$348,000 of recurring revenue for the month of June 2016 which was less than the target of A\$400,000.

Mr. Michael Nark, BuildingIQ President and Chief Executive Officer, said that “we are pleased to be able to continue the relationship with both a clear contractual arrangement in place and an expanded suite of services. Clearly the write-down is very disappointing however we believe we were pragmatic in negotiating the best possible outcome for BuildingIQ”.

As a consequence of these developments, and due to lower energy prices in some North American regions, BuildingIQ has reassessed the outlook for the second half of 2016. Sales and future contracted revenue for the year to date have not met management forecasts and the company is unlikely to recapture the current shortfall in 2016. Consequently second half revenue is likely to be in line with the first half and the targeted 50% revenue growth in the current financial year is unlikely to be achieved by organic growth alone. This is also expected to extend the time frame to achieve cashflow breakeven which had previously been estimated to occur in the second half of 2017.

As an early stage company, growth is unlikely to be linear and management is focused on making up for the first half performance. The company has continued to ramp up the sales team and marketing spend during 2016 with the intention to drive increased sales. In the meantime, management and the Board will focus on cost management, shortening sales cycles, further reducing implementation time-frames and considering inorganic opportunities.

Michael Nark added “BuildingIQ has unique technology and a strong history of delivering value and dollar savings for building owners. We remain committed to executing on our strategy and continuing development of our sales channels to achieve mass deployment of our technology in commercial buildings.”

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A further update on 2016 activities will be provided with the release of the half year results on 24th August 2016. These results will also include a 2015 reclassification of approximately A\$2.9m to increase shareholders equity and reduce the foreign currency reserve. The adjustment relates to the identification of transactions for which the foreign currency impact had not been correctly allocated between accounts and this adjustment has no impact on earnings or cashflows.

For further information contact:

Rob Goss

Company Secretary

Ph: +61 2 9360 0602

E: robertg@buildingiq.com

About BuildingIQ

BuildingIQ (ASX: BIQ) helps building owners and operators worldwide lower energy use, increase building operations efficiency, and tenant comfort. The company's 5i cloud-based platform and Managed Services deliver on the promise of IoT for buildings with none of the drawbacks. Over 60M square feet of building space is currently under management with BuildingIQ. Investors in BuildingIQ include the Venture Capital unit of Siemens Financial Services, Paladin Capital and Exto Partners.

www.buildingIQ.com

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